

STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE
HEALTH CARE SERVICE PLAN

1

MONTHLY FINANCIAL REPORTING FORM

Submitted on 12/1/2003 3:45:30 PM

1	
1.	FOR THE MONTH ENDING: October 31, 2003
2.	Name: CareMore Insurance Services
3.	File Number:(Enter last three digits) 933-0 408
4.	Date Incorporated or Organized: June 1, 1993
5.	Date Licensed as a HCSP: November 30, 2002
6.	Date Federally Qualified as a HCSP: February 1, 2003
7.	Date Commenced Operation: November 30, 2002
8.	Mailing Address: 18000 Studebaker Rd. Suite #100, Cerritos CA 90703
9.	Address of Main Administrative Office: 18000 Studebaker Rd. Suite #100, Cerritos CA 90703
10.	Telephone Number: 562-741-4340
11.	HCSP's ID Number: H0544
12.	Principal Location of Books and Records: 10000 Lakewood Blvd. Downey CA 90241
13.	Plan Contact Person and Phone Number: Marguerite O'Toole 562-741-4340
14.	Financial Reporting Contact Person and Phone Number: Sergio Zaldivar 562-622-2831
15.	President:* General Manager - Marguerite O'Toole
16.	Secretary:*
17.	Chief Financial Officer:* Director of Finance - Sergio Zaldivar
18.	Other Officers:*
19.	
20.	
21.	
22.	Directors:* Abram Zinberg
23.	Sheldon Zinberg M.D.
24.	Carl Westerhoff
25.	Donald Furman M.D.
26.	Sami Khoury M.D.
27.	Ole Heggeness M.D.
28.	
29.	
30.	
31.	

The officers listed on lines 15 through 17 of the health care service plan noted on line 2, being duly sworn, each for himself or herself, deposes and says that they are the officers of the said health care service plan, and that, for the reporting period stated above, all of the herein assets were the absolute property of the said health care service plan, free and clear from any liens or claims thereon, except as herein stated, and that these financial statements, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said health care service plan as of the reporting period stated above, and of its income and deductions therefrom for the period reported, according to the best of their information, knowledge and belief, respectively.




32. President	Marguerite O'Toole, General Manager
33. Secretary	None Identified
34. Chief Financial Officer	Sergio Zaldivar, Director of Finance
* Show full name (initials not accepted) and indicate by sign (#) those officers and directors who did not occupy the indicated position in the previous statement.	
35.	If this is a revised filing, check here and complete question 4 on Page 2: <input type="checkbox"/>
36.	If all dollar amounts are reported in thousands (000), check here <input checked="" type="checkbox"/>

Check My Work.

STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE
HEALTH CARE SERVICE PLAN

MONTHLY FINANCIAL REPORTING FORM

SUPPLEMENTAL INFORMATION

		1
1.	Are footnote disclosures attached with this filing?	Yes 
2.	Is the attached reporting form filed on a consolidated or combined basis? If "Yes", the plan is required to file consolidating or combining schedules.	No 
3.	Is the plan required to file additional information (i.e. parent/affiliate financial statements, claims reports, etc.) that is required by the Department?	No 
4.	If this is a revised reporting form, what is/are the reason(s) for the revision?	

STATEMENT AS OF 10-31-2003 OF 933-0408 CareMore Insurance Services

REPORT #1 ---- PART A: ASSETS

1	2
CURRENT ASSETS:	Current Period
1. Cash and Cash Equivalents	1,154
2. Short-Term Investments	
3. Premiums Receivable - Net	
4. Interest Receivable	
5. Shared Risk Receivables - Net	
6. Other Health Care Receivables - Net	0
7. Prepaid Expenses	95
8. Secured Affiliate Receivables - Current	0
9. Unsecured Affiliate Receivables - Current	340
10. Aggregate Write-Ins for Current Assets	7
11. TOTAL CURRENT ASSETS (Items 1 to 10)	1,596
OTHER ASSETS:	
12. Restricted Assets	300
13. Long-Term Investments	
14. Intangible Assets and Goodwill - Net	
15. Secured Affiliate Receivables - Long-Term	
16. Unsecured Affiliate Receivables - Past Due	
17. Aggregate Write-Ins for Other Assets	527
18. TOTAL OTHER ASSETS (Items 12 to 18)	827
PROPERTY AND EQUIPMENT	
19. Land, Building and Improvements	
20. Furniture and Equipment - Net	240
21. Computer Equipment - Net	53
22. Leasehold Improvements -Net	441
23. Construction in Progress	0
24. Software Development Costs	
25. Aggregate Write-Ins for Other Equipment	6
26. TOTAL PROPERTY AND EQUIPMENT (Items 19 to 25)	740
27. TOTAL ASSETS	3,163
DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR CURRENT ASSETS	
1001. Emp. Rec.	7
1002.	
1003.	
1004.	
1098. Summary of remaining write-ins for Item 10 from overflow page	
1099. TOTALS (Items 1001 thru 1004 plus 1098)	7
DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER ASSETS	
1701. License/Contracts Rights Net	527
1702.	
1703.	
1704.	
1798. Summary of remaining write-ins for Item 17 from overflow page	
1799. TOTALS (Items 1701 thru 1704 plus 1798)	527
DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER EQUIPMENT	
2501. Software	6
2502.	
2503.	
2504.	
2598. Summary of remaining write-ins for Item 25 from overflow page	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	6

STATEMENT AS OF 10-31-2003 OF 933-0408 CareMore Insurance Services

REPORT #1 ---- PART B: LIABILITIES AND NET WORTH

1	2	3	4
CURRENT LIABILITIES:	Current Period		
	Contracting	Non-Contracting	Total
1. Trade Accounts Payable	685	XXX	685
2. Capitation Payable		XXX	0
3. Claims Payable (Reported)	4		4
4. Incurred But Not Reported Claims	44		44
5. POS Claims Payable (Reported)			0
6. POS Incurred But Not Reported Claims			0
7. Other Medical Liability			0
8. Unearned Premiums		XXX	0
9. Loans and Notes Payable		XXX	0
10. Amounts Due To Affiliates - Current		XXX	0
11. Aggregate Write-Ins for Current Liabilities	735	0	735
12. TOTAL CURRENT LIABILITIES (Items 1 to 11)	1,468	0	1,468
OTHER LIABILITIES:			
13. Loans and Notes Payable (Not Subordinated)		XXX	0
14. Loans and Notes Payable (Subordinated)	1,000	XXX	1,000
15. Accrued Subordinated Interest Payable	6	XXX	6
16. Amounts Due To Affiliates - Long Term		XXX	0
17. Aggregate Write-Ins for Other Liabilities	29	XXX	29
18. TOTAL OTHER LIABILITIES (Items 13 to 18)	1,035	XXX	1,035
19. TOTAL LIABILITIES	2,503	0	2,503
NET WORTH			
20. Common Stock	XXX	XXX	10
21. Preferred Stock	XXX	XXX	
22. Paid In Surplus	XXX	XXX	
23. Contributed Capital	XXX	XXX	
24. Retained Earnings (Deficit)/Fund Balance	XXX	XXX	650
25. Aggregate Write-Ins for Other Net Worth Items	XXX	XXX	0
26. TOTAL NET WORTH (Items 20 to 25)	XXX	XXX	660
27. TOTAL LIABILITIES AND NET WORTH	XXX	XXX	3,163
DETAILS OF WRITE-INS AGGREGATED AT ITEM 11 FOR CURRENT LIABILITIES			
1101. Accrued Payroll	301		301
1102. Accrued PTO	239		239
1103. Other Payroll	195		195
1104.			0
1198. Summary of remaining write-ins for Item 11 from overflow page			0
1199. TOTALS (Items 1101 thru 1104 plus 1198)	735	0	735
DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER LIABILITIES			
1701. Taxes Payable	29	XXX	29
1702.		XXX	0
1703.		XXX	0
1704.		XXX	0
1798. Summary of remaining write-ins for Item 17 from overflow page		XXX	0
1799. TOTALS (Items 1701 thru 1704 plus 1798)	29	XXX	29
DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER NET WORTH ITEMS			
2501.	XXX	XXX	
2502.	XXX	XXX	
2503.	XXX	XXX	
2504.	XXX	XXX	
2598. Summary of remaining write-ins for Item 25 from overflow page	XXX	XXX	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	XXX	XXX	0

STATEMENT AS OF 10-31-2003 OF 933-0408 CareMore Insurance Services

REPORT #2: REVENUE, EXPENSES AND NET WORTH

	1	2
	Current Period	Year-To-Date
REVENUES:		
1. Premiums (Commercial)		
2. Capitation		
3. Co-payments, COB, Subrogation		
4. Title XVIII - Medicare	24	54
5. Title XIX - Medicaid		
6. Fee-For-Service		
7. Point-Of-Service (POS)		
8. Interest		
9. Risk Pool Revenue		
10. Aggregate Write-Ins for Other Revenues	1,223	11,129
11. TOTAL REVENUE (Items 1 to 10)	1,247	11,183
EXPENSES:		
Medical and Hospital		
12. Inpatient Services - Capitated		
13. Inpatient Services - Per Diem		
14. Inpatient Services - Fee-For-Service/Case Rate	9	21
15. Primary Professional Services - Capitated	12	26
16. Primary Professional Services - Non-Capitated		
17. Other Medical Professional Services - Capitated		
18. Other Medical Professional Services - Non-Capitated		
19. Non-Contracted Emergency Room and Out-of-Area Expense, not including POS		
20. POS Out-Of-Network Expense		
21. Pharmacy Expense - Capitated		
22. Pharmacy Expense - Fee-for-Service	4	7
23. Aggregate Write-Ins for Other Medical and Hospital Expenses	0	0
24. TOTAL MEDICAL AND HOSPITAL (Items 12 to 23)	25	54
Administration		
25. Compensation	690	6,610
26. Interest Expense	6	59
27. Occupancy, Depreciation and Amortization	68	566
28. Management Fees	-10	980
29. Marketing	102	392
30. Affiliate Administration Services	0	0
31. Aggregate Write-Ins for Other Administration	375	2,461
32. TOTAL ADMINISTRATION (Items 25 to 31)	1,231	11,068
33. TOTAL EXPENSES	1,256	11,122
34. INCOME (LOSS)	-9	61
35. Extraordinary Item		
36. Provision for Taxes	0	40
37. NET INCOME (LOSS)	-9	21
NET WORTH:		
38. Net Worth Beginning of Period	669	639
39. Audit Adjustments		
40. Increase (Decrease) in Common Stock		
41. Increase (Decrease) in Preferred Stock		
42. Increase (Decrease) in Paid in Surplus		
43. Increase (Decrease) in Contributed Capital		
44. Increase (Decrease) in Retained Earnings:		
45. Net Income (Loss)	-9	21
46. Dividends to Stockholders		
47. Aggregate Write-Ins for Changes in Retained Earnings	0	0
48. Aggregate Write-Ins for Changes in Other Net Worth Items	0	0
49. NET WORTH END OF PERIOD (Items 38 to 48)	660	660

STATEMENT AS OF 10-31-2003 OF 933-0408 CareMore Insurance Services

REPORT #2: REVENUE, EXPENSES AND NET WORTH

1	2	3
	Current Period	Year-to-Date
DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR OTHER REVENUES		
1001. Commissions	996	8,934
1002. Contracted Overhead/Other	227	2,195
1003.		
1004.		
1005.		
1006.		
1098. Summary of remaining write-ins for Item 10 from overflow page		
1099. TOTALS (Items 1001 thru 1006 plus 1098)	1,223	11,129
DETAILS OF WRITE-INS AGGREGATED AT ITEM 23 FOR OTHER MEDICAL AND HOSPITAL EXPENSES		
2301.		
2302.		
2303.		
2304.		
2305.		
2306.		
2398. Summary of remaining write-ins for Item 23 from overflow page		
2399. TOTALS (Items 2301 thru 2306 plus 2398)	0	0
DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 FOR OTHER ADMINISTRATIVE EXPENSES		
3101. Insurance Non-Benefit	6	98
3102. Professional Services	12	107
3103. Printing & Postage	98	606
3104. Member Transfer Fee	50	350
3105. General & Event Supplies	41	256
3106. Sub Agent Commissions	41	222
3198. Summary of remaining write-ins for Item 31 from overflow page	127	822
3199. TOTALS (Items 3101 thru 3106 plus 3198)	375	2,461
DETAILS OF WRITE-INS AGGREGATED AT ITEM 47 FOR CHANGES IN RETAINED EARNINGS		
4701.		
4702.		
4703.		
4704.		
4705.		
4706.		
4798. Summary of remaining write-ins for Item 47 from overflow page		
4799. TOTALS (Items 4701 thru 4706 plus 4798)	0	0
DETAILS OF WRITE-INS AGGREGATED AT ITEM 48 FOR CHANGES OF OTHER NET WORTH ITEMS		
4801.		
4802.		
4803.		
4804.		
4805.		
4806.		
4898. Summary of remaining write-ins for Item 48 from overflow page		
4899. TOTALS (Items 4801 thru 4806 plus 4898)	0	0

REPORT #3: STATEMENT OF CASH FLOWS

1	2	3
	Current Period	Year-to-Date
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
1. Group/Individual Premiums/Capitation		
2. Fee-For-Service	25	54
3. Title XVIII - Medicare Premiums		
4. Title XIX - Medicaid Premiums		
5. Investment and Other Revenues	1,223	11,129
6. Co-Payments, COB and Subrogation		
7. Medical and Hospital Expenses	-25	-54
8. Administration Expenses	-1,591	-10,838
9. Federal Income Taxes Paid		
10. Interest Paid	6	59
11. NET CASH PROVIDED BY OPERATING ACTIVITIES	-362	350
CASH FLOW PROVIDED BY INVESTING ACTIVITIES		
12. Proceeds from Restricted Cash and Other Assets	9	67
13. Proceeds from Investments		
14. Proceeds for Sales of Property, Plant and Equipment		
15. Payments for Restricted Cash and Other Assets		
16. Payments for Investments		
17. Payments for Property, Plant and Equipment	22	-296
18. NET CASH PROVIDED BY INVESTING ACTIVITIES	31	-229
CASH FLOW PROVIDED BY FINANCING ACTIVITIES:		
19. Proceeds from Paid in Capital or Issuance of Stock		
20. Loan Proceeds from Non-Affiliates		
21. Loan Proceeds from Affiliates		
22. Principal Payments on Loans from Non-Affiliates		
23. Principal Payments on Loans from Affiliates		
24. Dividends Paid		
25. Aggregate Write-Ins for Cash Provided by Financing Activities	0	0
26. NET CASH PROVIDED BY FINANCING ACTIVITIES	0	0
27. NET INCREASE (DECREASE) IN CASH (Items 11, 18 & 26)	-331	121
28. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE MONTH	1,485	1,033
29. CASH AND CASH EQUIVALENTS AT THE END OF THE MONTH	1,154	1,154
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
30. Net Income	-9	21
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
31. Depreciation and Amortization	18	174
32. Decrease (Increase) in Receivables	0	703
33. Decrease (Increase) in Prepaid Expenses	-3	13
34. Decrease (Increase) in Affiliate Receivables	-108	-106
35. Increase (Decrease) in Accounts Payable	140	139
36. Increase (Decrease) in Claims Payable and Shared Risk Pool	21	48
37. Increase (Decrease) in Unearned Premium	87	87
38. Aggregate Write-Ins for Adjustments to Net Income	-508	-729
39. TOTAL ADJUSTMENTS (Items 31 through 38)	-353	329
40. NET CASH PROVIDED BY OPERATING ACTIVITIES (Item 30 adjusted by Item 39 must agree to Item 11)	-362	350
DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR CASH FLOW PROVIDED BY FINANCING ACTIVITIES		
2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Item 25 from overflow page		
TOTALS (Items 2501 thru 2503 plus 2598)	0	0
DETAILS OF WRITE-INS AGGREGATED AT ITEM 38 FOR ADJUSTMENTS TO NET INCOME		
3801. Affiliates Payables	-508	-729
3802.		
3803.		
3898. Summary of remaining write-ins for Item 38 from overflow page		
3899. TOTALS (Items 3801 thru 3803 plus 3898)	-508	-729

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REPORT #4: ENROLLMENT AND UTILIZATION TABLE**TOTAL ENROLLMENT**

1 Source of Enrollment	2 Total Enrollees At End of Previous Period	3 Additions During Period	4 Terminations During Period	5 Total Enrollees at End of Period	6 Cumulative Enrollee Months for Period	Total Member Ambulatory Encounters for Period			10 Total Patient Days Incurred	11 Annualized Hospital Days/1000	12 Average Length of Stay
						7 Physicians	8 Non-Physicians	9 Total			
1. Group (Commercial)				0				0			
2. Medicare Risk	15	74		89	89			0		0	
3. Medi-Cal Risk				0				0			
4. Individual				0				0			
5. Point of Service				0				0			
6. Aggregate write-ins for Other	0	0	0	0	0	0	0	0	0		
7. Total Membership	15	74	0	89	89	0	0	0	0	0	
DETAILS OF WRITE-INS AGGREGATED AT ITEM 6 FOR OTHER SOURCES OF ENROLLMENT											
601. Small Group				0				0			
602. Healthy Families				0				0			
603. AIM				0				0			
604. Medicare Cost				0				0			
605. ASO				0		N/A	N/A	N/A	N/A	N/A	N/A
606. PPO				0				0			
607.				0				0			
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611.				0				0			
612.				0				0			
Summary of remaining write-ins for											
698. Item 6 from overflow page				0				0			
Totals (lines 601 through 612 plus											
699. 698) (Line 6 above)	0	0	0	0	0	0	0	0	0		

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NOTES TO FINANCIAL STATEMENTS	
1.	See sheet one for Footnotes
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OVERFLOW PAGE FOR WRITE-INS	
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STATEMENT AS OF 10-31-2003 OF 933-0408 CareMore Insurance Services

KNOX-KEENE
SUPPLEMENTAL INFORMATION
PURSUANT TO SECTIONS 1300.84.06 AND 1300.84.2

		1		2
1.	Net Equity		\$	660
2.	Add: Subordinated Debt		\$	1,006
3.	Less: Receivables from officers, directors, and affiliates		\$	
4.	Intangibles		\$	
5.	Tangible Net Equity (TNE)		\$	1,666
6.	Required Tangible Net Equity (See Below)		\$	1,000
7.	TNE Excess (Deficiency)		\$	666
		Full Service Plans		Specialized Plan
A.	Minimum TNE Requirement	\$ 1,000,000	Minimum TNE Requirement	\$ 50,000
B. REVENUES:				
8.	2% of the first \$150 million of annualized premium revenues	\$	2% of the first \$7.5 million of annualized premium revenue	\$
	Plus		Plus	
9.	1% of annualized premium revenues in excess of \$150 million	\$	1% of annualized premium revenue in excess of \$7.5 million	\$
10.	Total	\$ 0	Total	\$ 0
C. HEALTHCARE EXPENDITURES:				
11.	8% of the first \$150 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$	8% of the first \$7.5 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$
	Plus		Plus	
12.	4% of annualized health care expenditures in excess of \$150 million except those paid on a capitated or managed hospital payment basis.	\$	4% of annualized health care expenditures in excess of \$7.5 million except those paid on a capitated or managed hospital payment basis.	\$
	Plus		Plus	
13.	4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$	4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$
14.	Total	\$ 0	Total	\$ 0
15.	Required "TNE" - Greater of "A" "B" or "C" \$		Required "TNE" - Greater of "A" "B" or "C" \$	

**KNOX -KEENE
SUPPLEMENTAL INFORMATION
PURSUANT TO SECTIONS 1374.64**

POINT OF SERVICE (POS) "ADJUSTED" TANGIBLE NET EQUITY CALCULATION

Calculation of Tangible Net Equity and required Tangible Net Equity in accordance with Section 1374.64:

		1
1. Net Equity	\$	660
2. Add: Subordinated Debt	\$	1,006
3. Less: Receivables from officers, directors, and affiliates	\$	
4. Intangibles	\$	
5. Tangible Net Equity (TNE)	\$	1,666
6. Required Tangible Net Equity (From Line 18 below)	\$	1,000
7. TNE Excess (Deficiency)	\$	666
ADJUSTED REQUIRED MINIMUM TANGIBLE NET EQUITY CALCULATION:		
I. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(1) or (2):		
8. Minimum TNE as calculated under Rule 1300.76 (a)(1) or (2)	\$	
9. 10% of annualized health care expenditures for out-of-network service for point-of-service enrollees	\$	
10. Add lines 8 and 9	\$	0
II. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(3):		
<u>PART A</u>		
11. Minimum TNE as recalculated to exclude annualized healthcare expenditures for out-of-network services for point-of-service enrollees (attach worksheet Page 15)	\$	
12. 10% of annualized health care expenditures for out-of-network services for point-of-service enrollees	\$	
13. Add lines 11 and 12	\$	0

STATEMENT AS OF 10-31-2003 OF 933-0408 CareMore Insurance Services

POS WORKSHEET FOR ADJUSTED TANGIBLE NET EQUITY CALCULATION

	1 Full Service Plans	2 Specialized Plans
1. Health care expenditures for period	\$ <input type="text"/>	\$ <input type="text"/>
Less:		
2. Capitated or managed hospital payment basis expenditures	<input type="text"/>	<input type="text"/>
3. Health care expenditures for out-of-network services for point-of-service enrollees	<input type="text"/>	<input type="text"/>
4. Result	<input type="text" value="0"/>	<input type="text" value="0"/>
5. Annualized	<input type="text"/>	<input type="text"/>
6. Reduce to maximum of \$150 million	<input type="text"/>	<input type="text"/>
7. Multiply by 8%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
8. Annualized health care expenditures except those paid on a capitated or managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
9. Line 8 less \$150 million	<input type="text"/>	<input type="text"/>
10. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
11. Annualized hospital expenditures paid on a managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
12. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
13. Total	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>

STATEMENT AS OF 10-31-2003 OF 933-0408 CareMore Insurance Services**NOTE 1 - NATURE OF OPERATIONS:**

CareMore Insurance Services, Inc. (CIS) sells senior and commercial health care insurance and provides marketing services, member services, contracting services, and provider relations services to CareMore Medical Group (CMG). CIS began operations in May 1998.

Effective November 1, 2002, CIS was licensed, by the State of California Department of Managed Health Care, as a full service health care service plan pursuant to the provisions of the Knox-Keene Health Care Service Plan Act of 1975, as amended. The license authorizes CIS to offer health care services to enrollees in the Medicare+Choice program through the licensee's contract with The Centers for Medicare & Medicaid Services (CMS). Services can be provided to enrollees in the counties of Los Angeles and Orange in the State of California.

On January 13, 2003, CMS notified CIS that it had approved a Medicare+Choice contract for the period February 1, 2003 through December 31, 2004.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES:**Accounting Basis**

The financial statements are prepared using the accrual basis of accounting. Using this basis, revenues are recognized when earned and expenses are recognized when incurred. This basis conforms to generally accepted accounting principles.

Revenue Recognition

Capitated premiums are recognized as revenue during the period in which the Health Plan is obligated to provide healthcare services to members. Premiums received in advance are reported as unearned premium revenue.

Commission premiums are for delegated services from various health plans.

Liability for Medical Claims Payable

Incurred health care services and related liabilities are established principally on an admission date basis for inpatient services and on a service date basis for all other services. The IBNR liability, which is calculated based upon lag studies, covers all claim obligations for services which have been authorized or provided, but

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

Estimates are used most often when accounting for: accounts receivable, year end accruals, broker commission, and member transfer fees.

Revenue is generated from the sale of Senior & Commercial health care policies.

Accounts Receivable

Accounts receivable are recorded at the estimated net realizable amount from a health care plan.

Management does not believe that the significant concentration of revenues from a major health care insurance company subjects it to any significant credit risks in the collection of its accounts receivable.

Property & Equipment

Property and equipment is stated at cost. The costs of additions and betterments are capitalized, and expenditures for repairs and maintenance are expensed when paid.

Depreciation and amortization is calculated using accelerated methods over estimated useful lives ranging from 3 to 7 years, except for amortization of leasehold improvements. Leasehold improvements are amortized using the straight-line method over the 10-year life of the lease.

License/Contract Rights

In June 2001, the FASB issued SFAS 142 - Accounting for Goodwill and Other Intangible Assets. The Statement indicates that intangible assets with indefinite useful lives no longer will be amortized but will be tested at least annually for impairment (reduction in value). Intangible assets with finite lives will continue to be amortized over their useful lives.

Although the Knox-Keene License does not have a finite life, the Medicare+Choice Contract is renewable every two years. As a result, Management has elected to amortize the rights using the straight-line method over a 60 month period. Management has determined, based upon available market information, that there is no additional impairment in the value of the License/Contract Rights as of December 31, 2002.

Deferred Income Taxes

Deferred income taxes are provided for the significant temporary differences between income for financial reporting purposes and taxable income. These differences arose from use of the accrual basis for financial reporting and the hybrid method for tax purposes.

NOTE 3 - CERTIFICATES OF DEPOSIT:

As of October 31, 2003, CIS held three certificates of deposit, each in the amount of \$100,000. Interest is paid monthly at the rate of 1.89% per annum. The certificates of deposit mature on October 3, 2004.

As required by the State of California Department of Managed Health Care, these certificates of deposit are maintained as statutory deposits for the protection of the plan members (insolvency reserve).

NOTE 4 - PROPERTY & EQUIPMENT:

At December 31, 2002, property and equipment is summarized as follows:

Furniture, Fixtures & Equipment	\$391,279
Computer Equipment	190,788
Software	34,340
Leasehold Improvements	373,901
Sub Total	990,308
Less Accumulated Depreciation & Amortization	382,514
Net Property & Equipment	\$607,793

NOTE 5 - LICENSE/CONTRACT RIGHTS:

In 2002, CIS incurred \$638,619 of legal and other professional fees related to acquiring a Knox-Keene license and a Medicare+Choice contract (Notes 1 and 2).

These costs have been capitalized and are being amortized using the straight-line method over a 60 month period (Notes 1 and 2).

NOTE 6 - LIABILITY TO RELATED PARTY:

CMMC leases employees to CIS (Note 12). In addition, pursuant to an Accounting and Administrative Services Agreement dated July 1, 2002, CMMC provides accounting, claims administration, and other administrative services to CIS (Note 12). There is a liability at October 31, 2003. Generally the liability at month end represents the cost of approximately one month of services.

NOTE 7 - LONG-TERM DEBT:

As of July 1, 2002, CIS established a \$5 million line of credit with CMG. The terms of the line of credit include an interest rate of 7%, an expiration date of July 1, 2012, and a subordination provision. As of October 31, 2003, the outstanding balance was \$1 million.

The Subordinated Line of Credit Agreement provides that "Lender's right, title and interest to receive payments of principal and interest under the Line of Credit and this Agreement shall be irrevocably and fully subordinated to all other present and future creditors of Borrower" (CIS).

NOTE 8 - COMMITMENTS:

CIS leases its office facilities (Downey and Cerritos) from CMMC (Note 12). The future minimum lease payments are as follows:

2004	\$208,087
2005	214,489
2006	220,923
2007	227,392
2008	219,991
2009	163,087
Total	\$1,253,969

NOTE 9 - COMMON STOCK:

At October 31, 2003, the common stock of CIS was owned 49% by CMG and 12.75% by each of four individuals (51% total). Two of the individuals are related.

CMG also owns 85% of CMMC (Notes 6 and 12).

NOTE 10 - EMPLOYEE BENEFIT PLANS:

All eligible employees leased to CIS may participate in the CMMC 401(k) profit sharing plan and Section 125 plan.

Participants in the 401(k) plan can defer up to 15% of annual compensation (maximum deferral of \$12,000 in 2003). CIS makes a profit sharing contribution to each eligible employee equal to 3% of social security wages (maximum of \$87,000 in 2003) and 6% of eligible wages exceeding the social security limit (maximum of \$200,000 in 2003). As permitted by Federal and State income tax laws, CIS accrues the contribution monthly and makes the contribution the next year.

The benefits offered under the Section 125 Plan are the following: health insurance, dental insurance, and supplemental life insurance.

NOTE 11 - INCOME TAXES:

The income tax expense of CIS consists of the following:

Current Tax Accruals (est.):

Federal	\$-15,038
State	-13,500
Total	\$-28,538

Deferred Tax Expense:

Federal	\$ 35,000
State	22,000
Total	\$ 57,000

Income Tax Expense - October no provision has been estimated.

NOTE 12 - RELATED PARTY TRANSACTIONS:

CIS provides marketing and other support services to CMG.

In addition, as of July 1, 2002, CIS entered into two contracts with CMMC: (1) An Accounting and Administrative Services Agreement which requires CMMC to provide accounting, and other administrative services to CIS. The monthly fee for these contracted services is \$90,000. (2) An Information Technology Services Agreement which requires CMMC to provide hardware, the operating system, application software, and hardware and software support to CIS. The monthly fee for these contracted services is \$50,000.

CIS leases from CMMC 14% of the Downey office facility and 50% of the Cerritos office facility (Note 8).

NOTE 13 - CONCENTRATIONS OF RISK:

CIS maintains the majority of its cash in the third largest California-based financial institution. The balances in the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At October 31, 2003, the uninsured cash in bank totals \$1,349,569 (includes certificates of deposit).

At October 31, 2003, there were no receivables due from major health care insurance companys.

Management does not believe that the significant concentration of revenues from a major health care insurance company subjects it to any significant credit risks in the collection of its accounts receivable.

NOTE 14 - CONTINGENCIES:

Litigation - CIS is involved in one lawsuit, both as plaintiff and defendant, arising in the normal course of business. After consultation with legal counsel, management estimates that this matter will be resolved without material adverse effect on CIS's future financial position and results from operations.

NOTE 15 - GOVERNMENT FILINGS:

The financial statements of CIS are audited annually for inclusion in an annual filing with the State of California Department of Managed Health Care.

STATEMENT AS OF 10-31-2003 OF 933-0408 CareMore Insurance Services

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